

Institutionalization: A Forerunner  
of Culture

What Is Organizational Culture?

What Does Culture Do?

Creating and Sustaining Culture

How Employees Learn Culture

## CHAPTER

## 16

**ORGANIZATIONAL  
CULTURE**

In any organization, there  
are the ropes to skip and  
the ropes to know.

—R. Ritti and  
G. Funkhouser

[Quit](#)[Chapter Start](#)[Contents](#)[Video](#)[Chapter End](#)[Web Site](#)

1261



## LEARNING OBJECTIVES

After studying this chapter, you should be able to

- 1** Describe institutionalization and its relationship to organizational culture
- 2** Define the common characteristics making up organizational culture
- 3** Contrast strong and weak cultures
- 4** Identify the functional and dysfunctional effects of organizational culture on people and the organization
- 5** Explain the factors determining an organization's culture
- 6** List the factors that maintain an organization's culture
- 7** Clarify how culture is transmitted to employees
- 8** Outline the various socialization alternatives available to management



**From Mazda Motor Corp's Hiroshima headquarters, its president is trying** to change his company's corporate culture.<sup>1</sup> The president, Henry Wallace (see photo), has his work cut out for him. Mazda's internal culture closely mirrors Japan's national culture. The company values indirect communication, loyalty, obedience, and relationships. Mr. Wallace believes these cultural values, which worked in the company's favor in the postwar years, are outdated in the current, highly competitive, global economy. He was brought in by Ford Motor Co., which owns controlling interest in Mazda, in the spring of 1996 to turn around declining sales and return Mazda to profitability. In 1995, Mazda made only 771,000 cars, half the number it made in 1990.



Mr. Wallace, a gangly Scot, stands out like a sore thumb in Japan. As the only foreigner running a Japanese company of any size, he is a celebrity and a curiosity. His outsider status provides him both advantages and disadvantages. Since foreigners are always expected to act differently, he is given more leeway in introducing non-Japanese practices at Mazda. But he lacks fluency in Japanese and his efforts to inject more English into the workplace and change established organizational norms is raising anxiety levels. Many Mazda employees feel Wallace just doesn't understand the way Japanese do things and the unique culture of Mazda.

Mr. Wallace faces an organizational culture where people are afraid to speak up in meetings and where employees and parts suppliers are set for life. Wallace wants to change this. He has turned carefully staged meetings into freewheeling brainstorming sessions. He expects people to ask questions

and to challenge ideas. This doesn't come easy to Mazda employees. He has forced Mazda staff members to use more marketing data to back up new-product proposals. He's injecting more English, the international business language, into the company. And while he hasn't laid anyone off yet, he talks about it as a possibility, and that's raising concerns throughout the company. But one of his biggest challenges is breaking up Japan's traditional system of longtime, family-like relationships with suppliers. Hundreds of suppliers get blueprints from Mazda and build parts to company specifications. While suppliers give Mazda loyalty and obedience, Wallace believes Mazda suffers in terms of price, quality, and delivery schedules. He wants to reduce the number of suppliers that Mazda works with and increase competition among those that are left. "If the president [of Mazda] were a Japanese, he would have some sympathy toward us," complains the head of a small supplier. "He would think: 'You have been working so hard for Mazda.' Even in times of difficulties, he would take care so that as many companies as possible would survive." ♦



**A** strong organizational culture like that found at Mazda provides employees with a clear understanding of “the way things are done around here.” It provides stability to an organization. But, as evidenced at Mazda, it can also be a major barrier to change. In this chapter, we show that every organization has a culture and, depending on its strength, it can have a significant influence on the attitudes and behaviors of organization members.

## **Institutionalization: A Forerunner of Culture**

The idea of viewing organizations as cultures—where there is a system of shared meaning among members—is a relatively recent phenomenon. Until the mid-1980s, organizations were, for the most part, simply thought of as rational means by which to coordinate and control a group of people. They had vertical levels, departments, authority relationships, and so forth. But organizations are more. They have personalities too, just like individuals. They can be rigid or flexible, unfriendly or supportive, innovative or conservative. General Electric offices and people *are* different from the offices and people at General Mills. Harvard and MIT are in the same business—education—and separated only by the width of the Charles River, but each has a unique feeling and character beyond its structural characteristics. Organizational theorists now acknowledge this by recognizing the

important role that culture plays in the lives of organization members. Interestingly, though, the origin of culture as an independent variable affecting an employee's attitudes and behavior can be traced back 50 years ago to the notion of **institutionalization**.<sup>2</sup>

When an organization becomes institutionalized, it takes on a life of its own, apart from its founders or any of its members. Ross Perot created Electronic Data Systems (EDS) in the early 1960s, but he left in 1987 to found a new company, Perot Systems. EDS, now part of General Motors, has continued to thrive despite the departure of its founder. Sony, Eastman Kodak, and Timex Corporation are examples of organizations that have existed beyond the life of any one member.

Additionally, when an organization becomes institutionalized, it becomes valued for itself, not merely for the goods or services it produces. It acquires immortality. If its original goals are no longer relevant, it doesn't go out of business. Rather, it redefines itself. When the demand for Timex's watches declined, the company merely redirected itself into the consumer electronics business—making, in addition to watches, clocks, computers, and health-care products such as digital thermometers and blood pressure testing devices. Timex took on an existence that went beyond its original mission to manufacture low-cost mechanical watches.

Institutionalization operates to produce common understandings among members about what is appropriate and, fundamen-

### **institutionalization**

When an organization takes on a life of its own, apart from any of its members, and acquires immortality.

- ◆ When an organization becomes institutionalized, it takes on a life of its own, apart from its founders or any of its members.

tally, meaningful behavior.<sup>3</sup> So when an organization takes on institutional permanence, acceptable modes of behavior become largely self-evident to its members. As we'll see, this is essentially the same thing that organizational culture does. So an understanding of what makes up an organization's culture, and how it is created, sustained, and learned will enhance our ability to explain and predict the behavior of people at work.

## What Is Organizational Culture?

A number of years back, I asked an executive to tell me what he thought *organizational culture* meant and he gave me essentially the same answer that a Supreme Court Justice once gave in attempting to define pornography: "I can't define it, but I know it when I see it." This executive's approach to defining organizational culture isn't acceptable for our purposes. We need a basic definition to provide a point of departure for our quest to better understand the phenomenon. In this section, we propose a specific definition and review several peripheral issues that revolve around this definition.

### A Definition

There seems to be wide agreement that **organizational culture** refers to a system of shared meaning held by members that distin-

#### **organizational culture**

A common perception held by the organization's members; a system of shared meaning.

guishes the organization from other organizations.<sup>4</sup> This system of shared meaning is, on closer examination, a set of key characteristics that the organization values. The most recent research suggests that there are seven primary characteristics that, in aggregate, capture the essence of an organization's culture.<sup>5</sup>

1. *Innovation and risk taking.* The degree to which employees are encouraged to be innovative and take risks.
2. *Attention to detail.* The degree to which employees are expected to exhibit precision, analysis, and attention to detail.
3. *Outcome orientation.* The degree to which management focuses on results or outcomes rather than on the techniques and processes used to achieve these outcomes.
4. *People orientation.* The degree to which management decisions take into consideration the effect of outcomes on people within the organization.
5. *Team orientation.* The degree to which work activities are organized around teams rather than individuals.
6. *Aggressiveness.* The degree to which people are aggressive and competitive rather than easygoing.
7. *Stability.* The degree to which organizational activities emphasize maintaining the status quo in contrast to growth.

## Exhibit 16-1 *Contrasting Organizational Cultures*

### Organization A

This organization is a manufacturing firm. Managers are expected to fully document all decisions; and “good managers” are those who can provide detailed data to support their recommendations. Creative decisions that incur significant change or risk are not encouraged. Because managers of failed projects are openly criticized and penalized, they try not to implement ideas that deviate much from the status quo. One lower-level manager quoted an often used phrase in the company: “If it ain’t broke, don’t fix it.”

There are extensive rules and regulations in this firm that employees are required to follow. Managers supervise employees closely to ensure there are no deviations. Management is concerned with high productivity, regardless of the impact on employee morale or turnover.

Work activities are designed around individuals. There are distinct departments and lines of authority, and employees are expected to minimize formal contact with other employees outside their functional area or line of command. Performance evaluations and rewards emphasize individual effort; although seniority tends to be the primary factor in the determination of pay raises and promotions.

### Organization B

This organization is also a manufacturing firm. Here, however, management encourages and rewards risk taking and change. Decisions based on intuition are

valued as much as those that are well rationalized. Management prides itself on its history of experimenting with new technologies and its success in regularly introducing innovative products. Managers or employees who have a good idea are encouraged to “run with it.” And failures are treated as “learning experiences.” The company prides itself on being market driven and rapidly responsive to the changing needs of its customers.

There are few rules and regulations for employees to follow, and supervision is loose because management believes that its employees are hardworking and trustworthy. Management is concerned with high productivity, but believes that this comes through treating its people right. The company is proud of its reputation as being a good place to work.

Job activities are designed around work teams and team members are encouraged to interact with people across functions and authority levels. Employees talk positively about the competition between teams. Individuals and teams have goals, and bonuses are based on achievement of these outcomes. Employees are given considerable autonomy in choosing the means by which the goals are attained.

Each of these characteristics exists on a continuum from low to high. Appraising the organization on these seven characteristics, then, gives a composite picture of the organization’s culture. This picture becomes the basis for feelings of shared understanding that members have about the organization, how things are done in it,

and the way members are supposed to behave. Exhibit 16-1 demonstrates how these characteristics can be mixed to create highly diverse organizations.

## Culture Is a Descriptive Term

Organizational culture is concerned with how employees perceive the characteristics of an organization's culture, not with whether or not they like them. That is, it is a descriptive term. This is important because it differentiates this concept from that of job satisfaction.

Research on organizational culture has sought to measure how employees see their organization: Does it encourage teamwork? Does it reward innovation? Does it stifle initiative?

In contrast, job satisfaction seeks to measure affective responses to the work environment. It is concerned with how employees feel about the organization's expectations, reward practices, and the like. Although the two terms undoubtedly have overlapping characteristics, keep in mind that the term *organizational culture* is descriptive, while *job satisfaction* is evaluative.

## Do Organizations Have Uniform Cultures?

Organizational culture represents a common perception held by the organization's members. This was made explicit when we defined culture as a system of *shared* meaning. We should expect, therefore,

that individuals with different backgrounds or at different levels in the organization will tend to describe the organization's culture in similar terms.<sup>6</sup>

Acknowledgment that organizational culture has common properties does not mean, however, that there cannot be subcultures within any given culture. Most large organizations have a dominant culture and numerous sets of subcultures.<sup>7</sup>

A **dominant culture** expresses the core values that are shared by a majority of the organization's members. When we talk about an *organization's* culture, we are referring to its dominant culture. It is this macro view of culture that gives an organization its distinct personality.<sup>8</sup> **Subcultures** tend to develop in large organizations to reflect common problems, situations, or experiences that members face. These subcultures are likely to be defined by department designations and geographical separation. The purchasing department, for example, can have a subculture that is uniquely shared by members of that department. It will include the **core values** of the dominant culture plus additional values unique to members of the purchasing department. Similarly, an office or unit of the organization that is physically separated from the organization's main operations may take on a different personality. Again, the core values are essentially retained but modified to reflect the separated unit's distinct situation.

### **dominant culture**

Expresses the core values that are shared by a majority of the organization's members.

### **subcultures**

Minicultures within an organization, typically defined by department designations and geographical separation.

### **core values**

The primary or dominant values that are accepted throughout the organization.

If organizations had no dominant culture and were composed only of numerous subcultures, the value of organizational culture as an independent variable would be significantly lessened because there would be no uniform interpretation of what represented appropriate and inappropriate behavior. It is the “shared meaning” aspect of culture that makes it such a potent device for guiding and shaping behavior. But we cannot ignore the reality that many organizations also have subcultures that can influence the behavior of members.

## Strong vs. Weak Cultures

It has become increasingly popular to differentiate between strong and weak cultures.<sup>9</sup> The argument here is that strong cultures have a greater impact on employee behavior and are more directly related to reduced turnover.

In a **strong culture**, the organization’s core values are both intensely held and widely shared.<sup>10</sup> The more members who accept the core values and the greater their commitment to those values is, the stronger the culture is. Consistent with this definition, a strong culture will have a great influence on the behavior of its members because the high degree of sharedness and intensity creates an internal climate of high behavioral control. For example, Seattle-based Nordstrom has developed one of the strongest service cul-

### **strong cultures**

Cultures where the core values are intensely held and widely shared.



The core value of enhancing people's lives through sports and fitness is intensely held and widely shared by Nike employees. Nike founder Philip Knight has created a strong sports-oriented culture and promotes it through company practices such as paying employees extra for biking to work instead of driving. Nike is recognized worldwide as an athlete's company that hires former college, professional, and Olympic athletes to design and market its shoes and clothing for sports enthusiasts. Nike headquarters in Beaverton, Oregon, is a 74-acre campus with walking and jogging trails and buildings named for sports heroes such as the Joan Benoit Samuelson Center, the Bo Jackson Fitness Center, and the Joe Paterno Day Care Center.

tures in the retailing industry. Nordstrom employees know in no uncertain terms what is expected of them and these expectations go a long way in shaping their behavior.

One specific result of a strong culture should be lower employee turnover. A strong culture demonstrates high agreement among members about what the organization stands for. Such unanimity of purpose builds cohesiveness, loyalty, and organizational commitment. These qualities, in turn, lessen employees' propensity to leave the organization.<sup>11</sup>

# From Concepts to Skills

## How to “Read” an Organization’s Culture

The ability to read and assess an organization’s culture can be a valuable skill.<sup>12</sup> If you’re looking for a job, you’ll want to choose an employer whose culture is compatible with your values and in which you’ll feel comfortable. If you can accurately assess a prospective employer’s culture before you make your decision, you may be able to save yourself a lot of grief and reduce the likelihood of making a poor choice. Similarly, you’ll undoubtedly have business transactions with numerous organizations during your professional career. You’ll be trying to sell a product or service, negotiate a contract, arrange a joint venture, or merely be seeking out who in an organization controls certain decisions. The ability to assess another

organization’s culture can be a definite plus in successfully completing these pursuits.

For the sake of simplicity, we’ll approach the problem of reading an organization’s culture from that of a job applicant. We’ll assume you’re interviewing for a job. Here’s a list of things you can do to help learn about a potential employer’s culture:

- ◆ Observe the physical surroundings. Pay attention to signs, pictures, style of dress, length of hair, degree of openness between offices, and office furnishings and arrangements.
- ◆ Who did you meet with? Just the person who would be your immediate supervisor? Or potential colleagues, managers from other

departments, or senior executives? And based on what they revealed, to what degree do people other than the immediate supervisor have input to the hiring decision?

◆ How would you characterize the style of the people you met? Formal? Casual? Serious? Jovial?

◆ Does the organization have formal rules and regulations printed in a personnel policy manual? If so, how detailed are these policies?

◆ Ask questions of the people with whom you meet. The most valid and reliable information tends to come from asking the same questions of many people (to see how closely their responses align) and by talking with boundary spanners. Boundary spanners are employees whose work links them to the external environment and includes jobs such as human resource interviewer, salesperson, purchasing agent, labor negotiator, public relations specialist, and

company lawyer. Questions that will give you insights into organizational processes and practices might include:

- ◆ What is the background of the founders?
- ◆ What is the background of current senior managers? What are their functional specializations? Were they promoted from within or hired from outside?
- ◆ How does the organization integrate new employees? Is there an orientation program? Training? If so, could you describe these features?
- ◆ How does your boss define his or her job success? (Amount of profit? Serving customers? Meeting deadlines? Acquiring budget increases?)
- ◆ How would you define fairness in terms of reward allocations?
- ◆ Can you identify some people here who are on the “fast track”? What do you think has put them on the fast track?

- ◆ Can you identify someone who seems to be considered a deviant in the organization? How has the organization responded to this person?
- ◆ Can you describe a decision that someone made here that was well received?
- ◆ Can you describe a decision that didn't work out well? What were

the consequences for the decision maker?

- ◆ Could you describe a crisis or critical event that has occurred recently in the organization? How did top management respond? What was learned from this experience?

## Culture vs. Formalization

A strong organizational culture increases behavioral consistency. In this sense, we should recognize that a strong culture can act as a substitute for formalization.

In Chapter 13, we discussed how formalization's rules and regulations act to regulate employee behavior. High formalization in an organization creates predictability, orderliness, and consistency. Our point is that a strong culture achieves the same end without the need for written documentation. Therefore, we should view formalization and culture as two different roads to a common destination. The stronger an organization's culture, the less management need be concerned with developing formal rules and

regulations to guide employee behavior. Those guides will be internalized in employees when they accept the organization's culture.

## Organizational Culture vs. National Culture

We opened this chapter by describing the challenges facing Mazda's new president as he tries to change Mazda's organizational culture. But we also saw how Japan's national culture was closely intertwined with Mazda's corporate culture. Throughout this book we've argued that national differences—that is, national cultures—must be taken into account if accurate predictions are to be made about organizational behavior in different countries. It seems appropriate at this point, then, to ask the question: Does national culture override an organization's culture? Is an IBM facility in Germany, for example, more likely to reflect German ethnic culture or IBM's corporate culture?

The research indicates that national culture has a greater impact on employees than does their organization's culture.<sup>13</sup> German employees at an IBM facility in Munich, therefore, will be influenced more by German culture than by IBM's culture. These findings, incidentally, are consistent with what the new president at Mazda found—that Japan's national culture has strongly shaped this company's organizational culture, and that Japanese employees resist Ford-type cultural values. Our conclusion: As influential as



Japan's electronic giant Matsushita Electric Company recognizes that national culture has a greater impact on employees than does organization culture. Matsushita tries to accommodate national cultural values in managing its 150 plants in 38 countries throughout Southeast Asia, North America, Europe, the Middle East, Latin America, and Africa. At its plants in Malaysia, the company offers special ethnic food in its cafeterias for Muslim Malays, Chinese, and Indian employees and accommodates Muslim religious customs by providing special prayer rooms at each plant and allowing two prayer sessions per shift.

organizational culture is to understanding the behavior of people at work, national culture is even more so.

The preceding conclusion has to be qualified to reflect the self-selection that goes on at the hiring stage. IBM, for example, may be less concerned with hiring the “typical Italian” for its Italian operations than in hiring an Italian who fits within the IBM way of doing things.<sup>14</sup> Historically, Italians who have a high need for autonomy are more likely to go to Olivetti than IBM. Why? Because Olivetti's organizational culture is informal and nonstructured. It has tended to allow employees considerably more freedom than

IBM does.<sup>15</sup> In fact, Olivetti seeks to hire individuals who are impatient, risk taking, and innovative—qualities in job candidates that IBM’s Italian operations historically sought to exclude in new hires.

## What Does Culture Do?

We’ve alluded to organizational culture’s impact on behavior. We’ve also explicitly argued that a strong culture should be associated with reduced turnover. In this section, we will more carefully review the functions that culture performs and assess whether culture can be a liability for an organization.

### Culture’s Functions

Culture performs a number of functions within an organization. First, it has a boundary-defining role; that is, it creates distinctions between one organization and others. Second, it conveys a sense of identity for organization members. Third, culture facilitates the generation of commitment to something larger than one’s individual self-interest. Fourth, it enhances social system stability. Culture is the social glue that helps hold the organization together by providing appropriate standards for what employees should say and do. Finally, culture serves as a sense-making and control mechanism that guides and shapes the attitudes and

behavior of employees. It is this last function that is of particular interest to us.<sup>16</sup> As the following quote makes clear, culture defines the rules of the game:

Culture by definition is elusive, intangible, implicit, and taken for granted. But every organization develops a core set of assumptions, understandings, and implicit rules that govern day-to-day behavior in the workplace. . . . Until newcomers learn the rules, they are not accepted as full-fledged members of the organization. Transgressions of the rules on the part of high-level executives or front-line employees result in universal disapproval and powerful penalties. Conformity to the rules becomes the primary basis for reward and upward mobility.<sup>17</sup>

The role of culture in influencing employee behavior appears to be increasingly important in the 1990s.<sup>18</sup> As organizations have widened spans of control, flattened structures, introduced teams, reduced formalization, and empowered employees, the *shared meaning* provided by a strong culture ensures that everyone is pointed in the same direction.

As we show later in this chapter, who receives a job offer to join the organization, who is appraised as a high performer, and who gets the promotion are strongly influenced by the individual–organization “fit”—that is, whether the applicant or employee’s attitudes and behavior are compatible with the culture. It’s not a coin-

cidence that employees at Disney theme parks appear to be almost universally attractive, clean, and wholesome looking, with bright smiles. That's the image Disney seeks. The company selects employees who will maintain that image. And once on the job, a strong culture, supported by formal rules and regulations, ensures that Disney theme-park employees will act in a relatively uniform and predictable way.

## Culture as a Liability

We are treating culture in a nonjudgmental manner. We haven't said that it's good or bad, only that it exists. Many of its functions, as outlined, are valuable for both the organization and the employee. Culture enhances organizational commitment and increases the consistency of employee behavior. These are clearly benefits to an organization. From an employee's standpoint, culture is valuable because it reduces ambiguity. It tells employees how things are done and what's important. But we shouldn't ignore the potentially dysfunctional aspects of culture, especially a strong one, on an organization's effectiveness.

**BARRIER TO CHANGE** Culture is a liability when the shared values are not in agreement with those that will further the organization's effectiveness. This is most likely to occur when the organization's environment is dynamic. When the environment is undergoing

rapid change, the organization's entrenched culture may no longer be appropriate. So consistency of behavior is an asset to an organization when it faces a stable environment. It may, however, burden the organization and make it difficult to respond to changes in the environment. This helps to explain the challenges that executives at companies like IBM, Eastman Kodak, and General Dynamics have had in recent years in adapting to upheavals in their environment. These companies have strong cultures that worked well for them in the past. But these strong cultures become barriers to change when "business as usual" is no longer effective. As a case in point, when Louis Gerstner left RJR Nabisco in 1993 to become head of IBM, he made turning around IBM's conservative, risk-averse culture his highest priority. After three years of focused attention, he seems to be finally succeeding.<sup>19</sup> For many organizations with strong cultures, practices that led to previous successes can lead to failure when those practices no longer match up well with environmental needs.<sup>20</sup>

**BARRIER TO DIVERSITY** Hiring new employees who, because of race, gender, ethnic, or other differences, are not like the majority of the organization's members creates a paradox.<sup>21</sup> Management wants new employees to accept the organization's core cultural values. Otherwise, these employees are unlikely to fit in or be accepted. But at the same time, management wants to openly acknowledge and demonstrate support for the differences that these employees bring to the workplace.

Strong cultures put considerable pressure on employees to conform. They limit the range of values and styles that are acceptable. In some instances, such as the recent Texaco case (which was settled on behalf of 1,400 employees for \$176 million) where senior managers made disparaging remarks about minorities, a strong culture that condones prejudice can even undermine formal corporate diversity policies.<sup>22</sup>

Organizations seek out and hire diverse individuals because of the alternative strengths these people bring to the workplace. Yet these diverse behaviors and strengths are likely to diminish in strong cultures as people attempt to fit in. Strong cultures, therefore, can be liabilities when they effectively eliminate those unique strengths that people of different backgrounds bring to the organization. Moreover, strong cultures can also be liabilities when they support institutional bias or become insensitive to people who are different.

**BARRIER TO MERGERS AND ACQUISITIONS** Historically, the key factors that management looked at in making merger or acquisition decisions were related to financial advantages or product synergy. In recent years, cultural compatibility has become the primary concern.<sup>23</sup> While a favorable financial statement or product line may be the initial attraction of an acquisition candidate, whether the acquisition actually works seems to have more to do with how well the two organizations' cultures match up.

A number of mergers consummated in the 1990s already have failed or show signs of failing. And the primary cause is conflicting organizational cultures.<sup>24</sup> Time Inc.'s merger with Warner Communications in 1990 has had trouble from the start. Time's culture was conservative and paternalistic, while Warner's was a "high-risk, high-reward" culture of deal making.<sup>25</sup> Employees from the two companies don't trust each other and the combined Time Warner has never seen the synergies that the premerger pundits predicted. AT&T's 1991 acquisition of NCR and Matsushita's 1991 acquisition of MCA are other visible examples of culture-based merger failures. And few deals made more sense in financial terms than the October 1993 merger of Price Club and Costco Wholesale. The combined Price/Costco would have had the clout to compete directly with Wal-Mart's Sam's Club. But the marriage failed. The Price and Costco people couldn't work together. Said one analyst, "The Price guys had much more of a real estate strip-mall mentality. The Costco guys were the type who started working at grocery stores bagging groceries when they were 10 years old and worked their way up the ladder."<sup>26</sup> It was a very short marriage. Price and Costco broke up in August 1994.

## Creating and Sustaining Culture

An organization's culture doesn't pop out of thin air. Once established, it rarely fades away. What forces influence the creation of a

culture? What reinforces and sustains these forces once they are in place? We answer both of these questions in this section.

## How a Culture Begins

An organization's current customs, traditions, and general way of doing things are largely due to what it has done before and the degree of success it has had with those endeavors. This leads us to the ultimate source of an organization's culture: its founders.<sup>27</sup>

The founders of an organization traditionally have a major impact on that organization's early culture. They have a vision of what the organization should be. They are unconstrained by previous customs or ideologies. The small size that typically characterizes new organizations further facilitates the founders' imposition of their vision on all organizational members.

Microsoft's culture is largely a reflection of co-founder and current CEO, Bill Gates. Gates is personally aggressive, competitive, and highly disciplined. Those are the same characteristics often used to describe the software giant he heads. Other contemporary examples of founders who have had an immeasurable impact on their organization's culture are Akio Morita at Sony, Ted Turner at Turner Broadcasting Systems, Fred Smith at Federal Express, Mary Kay at Mary Kay Cosmetics, and Richard Branson at the Virgin Group.



Back



Forward



Home



Reload



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## OB in the News

### Chung Ju Yung and the Company He Created: Hyundai

**H**yundai is a \$45 billion-a-year business empire made up of more than 40 companies in fields ranging from ships to semiconductors, motor vehicles to computers, engineering to robots, petrochemicals to department stores. The Hyundai group is a disciplined, militaristic organization. The man who made it this way is Chung Ju Yung.

Chung was born in 1915, one of seven children from an impoverished peasant farm family. Following World War II, Chung set up an auto repair business. He called it "Hyundai," which means *modern* in Korean. From this small beginning, the giant empire began. Throughout the company's growth, Chung's style shaped its cul-

ture. Family loyalty and authoritarianism reign. "The boss is still the boss," says Kim Yung Duc, president of Hyundai Corp. U.S.A.

At the height of his powers, Chung was a fearsome figure. There are rumors that a stretcher used to be a fixture in Hyundai's executive boardroom because Chung would sometimes punch out underlings who wouldn't listen to him or do what he wanted.

Hyundai may represent an extreme in feudal obedience but it evolved into what Chung's executives call the "Hyundai Spirit." A manual given to new recruits states: "The hard work of the creator [Chung] and the courage of the pioneer have helped us open the way for the

expansion, sophistication and internationalization of the industrial society of our country.” In Hyundai lore and literature, Chung is quoted nearly as much as the Chinese, two decades ago, invoked Mao Zedong.

“Everything at Hyundai is run on a fairly military basis,” says a U.S. consultant. “They have an armory in the yard. The guys who are educated all know what they have to do if war breaks out.”

If you want to understand Hyundai’s fierce, competitive style, its feudal obedience, or its disciplined, militaristic nature, you don’t need to go any further than looking at its founder, Chung Ju Yung.

(Based on D. Kirk, “The Humbling of Chairman Chung,” *Asia, Inc.*, April 1994, pp. 24–29).



## Take It to the Net

We invite you to visit the Robbins page on the Prentice Hall Web site at:

<http://www.prenhall.com/robbinsorgbeh>

for this chapter’s World Wide Web exercise.

## Keeping a Culture Alive

Once a culture is in place, there are practices within the organization that act to maintain it by giving employees a set of similar experiences.<sup>28</sup> For example, many of the human resource practices discussed in the previous chapter reinforce the organization’s culture. The selection process, performance evaluation criteria, train-

Quit

Chapter Start

Contents

Video

Chapter End

Web Site



1288



ing and career development activities, and promotion procedures ensure that those hired fit in with the culture, reward those who support it, and penalize (and even expel) those who challenge it. Three forces play a particularly important part in sustaining a culture: selection practices, the actions of top management, and socialization methods. Let's take a closer look at each.

**SELECTION** The explicit goal of the selection process is to identify and hire individuals who have the knowledge, skills, and abilities to perform the jobs within the organization successfully. Typically, more than one candidate will be identified who meets any given job's requirements. When that point is reached, it would be naive to ignore that the final decision as to who is hired will be significantly influenced by the decision maker's judgment of how well the candidates will fit into the organization. This attempt to ensure a proper match, whether purposely or inadvertently, results in the hiring of people who have values essentially consistent with those of the organization, or at least a good portion of those values.<sup>29</sup> Additionally, the selection process provides information to applicants about the organization. Candidates learn about the organization and, if they perceive a conflict between their values and those of the organization, they can self-select themselves out of the applicant pool. Selection, therefore, becomes a two-way

- ◆ The final decision as to who is hired will be significantly influenced by the decision maker's judgment of how well the candidates will fit into the organization.

street, allowing employer or applicant to abrogate a marriage if there appears to be a mismatch. In this way, the selection process sustains an organization's culture by selecting out those individuals who might attack or undermine its core values.

Applicants for entry-level positions in brand management at Procter & Gamble (P&G) experience an exhaustive application and screening process. Their interviewers are part of an elite cadre who have been selected and trained extensively via lectures, videotapes, films, practice interviews, and role plays to identify applicants who will successfully fit in at P&G. Applicants are interviewed in depth for such qualities as their ability to "turn out high volumes of excellent work," "identify and understand problems," and "reach thoroughly substantiated and well-reasoned conclusions that lead to action." P&G values rationality and seeks applicants who think that way. College applicants receive two interviews and a general knowledge test on campus before being flown back to Cincinnati for three more one-on-one interviews and a group interview at lunch. Each encounter seeks corroborating evidence of the traits that the firm believes correlate highly with "what counts" for success at P&G.<sup>30</sup> Applicants for positions at Compaq Computer are carefully chosen for their ability to fit into the company's teamwork-oriented culture. As one executive put it, "We can find lots of people who are competent. . . . The No. 1 issue is whether they fit into the way we do business."<sup>31</sup> At Compaq, that means job candidates who are

easy to get along with and who feel comfortable with the company's consensus management style. To increase the likelihood that loners and those with big egos get screened out, it's not unusual for an applicant to be interviewed by 15 people, who represent all departments of the company and a variety of seniority levels.<sup>32</sup>

**TOP MANAGEMENT** The actions of top management also have a major impact on the organization's culture.<sup>33</sup> Through what they say and how they behave, senior executives establish norms that filter down through the organization as to whether risk taking is desirable; how much freedom managers should give their subordinates; what is appropriate dress; what actions will pay off in terms of pay raises, promotions, and other rewards; and the like.

For example, look at Xerox Corp.<sup>34</sup> Its chief executive from 1961 to 1968 was Joseph C. Wilson. An aggressive, entrepreneurial type, he oversaw Xerox's staggering growth on the basis of its 914 copier, one of the most successful products in American history. Under Wilson, Xerox had an entrepreneurial environment, with an informal, high-camaraderie, innovative, bold, risk-taking culture. Wilson's replacement as CEO was C. Peter McColough, a Harvard MBA with a formal management style. He instituted bureaucratic controls and a major change in Xerox's culture. When McColough stepped down in 1982, Xerox had become stodgy and formal, with lots of politics and turf battles and layers of watchdog managers. His replacement was David

T. Kearns. He believed the culture he inherited hindered Xerox's ability to compete. To increase the company's competitiveness, Kearns trimmed Xerox down by cutting 15,000 jobs, delegated decision making downward, and refocused the organization's culture around a simple theme: boosting the quality of Xerox products and services. By his actions and those of his senior managerial cadre, Kearns conveyed to everyone at Xerox that the company valued and rewarded quality and efficiency. When Kearns retired in 1990, Xerox still had its problems. The copier business was mature and Xerox had fared badly in developing computerized office systems. The current CEO, Paul Allaire, has again sought to reshape Xerox's culture. Specifically, he has reorganized the corporation around a worldwide marketing department, has unified product development and manufacturing divisions, and has replaced half of the company's top-management team with outsiders. Allaire seeks to reshape Xerox's culture to focus on innovative thinking and out-hustling the competition.

**SOCIALIZATION** No matter how good a job the organization does in recruiting and selection, new employees are not fully indoctrinated in the organization's culture. Maybe most important, because they are unfamiliar with the organization's culture, new employees are potentially likely to disturb the beliefs and customs that are in place. The organization will, therefore, want to help new employees adapt to its culture. This adaptation process is called **socialization**.<sup>35</sup>

### **socialization**

The process that adapts employees to the organization's culture.

All Marines must go through boot camp, where they “prove” their commitment. Of course, at the same time, the Marine trainers are indoctrinating new recruits in the “Marine way.” New Sanyo employees go through an intensive five-month training program (trainees eat and sleep together in company-subsidized dorms and are required to vacation together at company-owned resorts) where they learn the Sanyo way of doing everything—from how to speak to superiors to proper grooming and dress.<sup>36</sup> The company considers this program essential for transforming young employees, fresh out of school, into dedicated *kaisha senshi*, or corporate warriors. Starbucks, the rapidly growing gourmet-coffee chain, doesn’t go to the extreme that Sanyo does, but it seeks the same outcome.<sup>37</sup> All new employees go through 24 hours of training. Just for an entry-level job in a retail store making coffee? Yes! Classes cover everything necessary to make new employees brewing consultants. They learn the Starbucks philosophy, the company jargon (including phrases such as “half-decaf double tall almond skim mocha”), and even how to help customers make decisions about beans, grind, and espresso machines. The result is employees who understand Starbucks’ culture and who project an enthusiastic and knowledgeable interface with customers.

As we discuss socialization, keep in mind that the most critical socialization stage is at the time of entry into the organization. This is when the organization seeks to mold the outsider into an

employee “in good standing.” Those employees who fail to learn the essential or pivotal role behaviors risk being labeled “nonconformists” or “rebels,” which often leads to expulsion. But the organization will be socializing every employee, though maybe not as explicitly, throughout his or her entire career in the organization. This further contributes to sustaining the culture.

Socialization can be conceptualized as a process made up of three stages: prearrival, encounter, and metamorphosis.<sup>38</sup> The first stage encompasses all the learning that occurs before a new member joins the organization. In the second stage, the new employee sees what the organization is really like and confronts the possibility that expectations and reality may diverge. In the third stage, the relatively long-lasting changes take place. The new employee masters the skills required for his or her job, successfully performs his or her new roles, and makes the adjustments to his or her work group’s values and norms.<sup>39</sup> This three-stage process impacts on the new employee’s work productivity, commitment to the organization’s objectives, and eventual decision to stay with the organization. Exhibit 16-2 depicts this process.

The **prearrival stage** explicitly recognizes that each individual arrives with a set of values, attitudes, and expectations. These cover both the work to be done and the organization. For instance, in many jobs, particularly professional work, new members will have undergone a considerable degree of prior socialization in train-

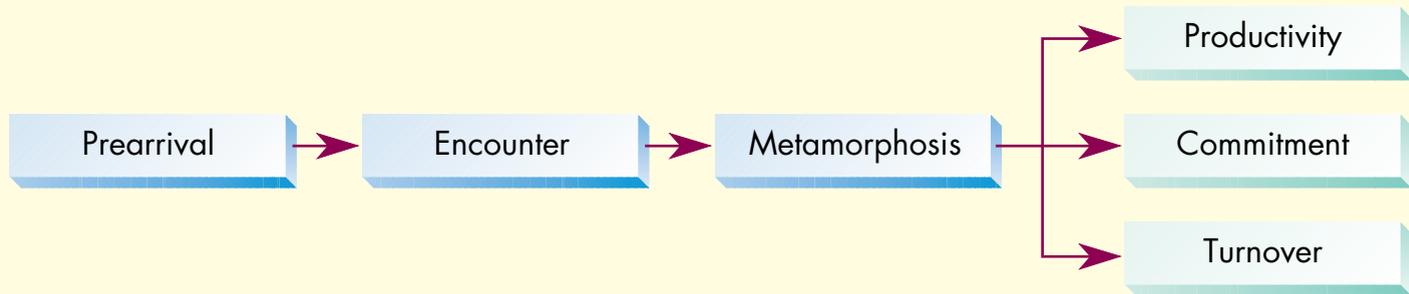
### **prearrival stage**

The period of learning in the socialization process that occurs before a new employee joins the organization.

## Exhibit 16-2 A Socialization Model

### Socialization Process

### Outcomes



ing and in school. One major purpose of a business school, for example, is to socialize business students to the attitudes and behaviors that business firms want. If business executives believe that successful employees value the profit ethic, are loyal, will work hard, and desire to achieve, they can hire individuals out of business schools who have been premolded in this pattern. But prearrival socialization goes beyond the specific job. The selection process is used in most organizations to inform prospective employees about the organization as a whole. In addition, as noted previ-

ously, the selection process also acts to ensure the inclusion of the “right type” — those who will fit in. “Indeed, the ability of the individual to present the appropriate face during the selection process determines his ability to move into the organization in the first place. Thus, success depends on the degree to which the aspiring member has correctly anticipated the expectations and desires of those in the organization in charge of selection.”<sup>40</sup>

Upon entry into the organization, the new member enters the **encounter stage**. Here the individual confronts the possible dichotomy between her expectations—about her job, her co-workers, her boss, and the organization in general—and reality. If expectations prove to have been more or less accurate, the encounter stage merely provides a reaffirmation of the perceptions gained earlier. However, this is often not the case. Where expectations and reality differ, the new employee must undergo socialization that will detach her from her previous assumptions and replace them with another set that the organization deems desirable. At the extreme, a new member may become totally disillusioned with the actualities of her job and resign. Proper selection should significantly reduce the probability of the latter occurrence.

Finally, the new member must work out any problems discovered during the encounter stage. This may mean going through changes—hence, we call this the **metamorphosis stage**. The options presented in Exhibit 16-3 are alternatives designed to bring

### **encounter stage**

The stage in the socialization process in which a new employee sees what the organization is really like and confronts the possibility that expectations and reality may diverge.

### **metamorphosis stage**

The stage in the socialization process in which a new employee adjusts to his or her work group’s values and norms.

### Exhibit 16-3 Entry Socialization Options

**Formal vs. Informal** The more a new employee is segregated from the ongoing work setting and differentiated in some way to make explicit his or her newcomer's role, the more formal socialization is. Specific orientation and training programs are examples. Informal socialization puts the new employee directly into his or her job, with little or no special attention.

**Individual vs. Collective** New members can be socialized individually. This describes how it's done in many professional offices. They can also be grouped together and processed through an identical set of experiences, as in military boot camp.

**Fixed vs. Variable** This refers to the time schedule in which newcomers make the transition from outsider to insider. A fixed schedule establishes standardized stages of transition. This characterizes rotational training programs. It also includes probationary periods, such as the eight- to ten-year "associate" status used by accounting and law firms before deciding on whether or not a candidate is made a partner. Variable schedules give no advanced notice of their transition timetable. Variable schedules describe the typical promotion system, where one is not advanced to the next stage until he or she is "ready."

**Serial vs. Random** Serial socialization is characterized by the use of role models who train and encourage the newcomer. Apprenticeship and mentoring programs are examples. In random socialization, role models are deliberately withheld. The new employee is left on his or her own to figure things out.

**Investiture vs. Divestiture** Investiture socialization assumes that the newcomer's qualities and qualifications are the necessary ingredients for job success, so these qualities and qualifications are confirmed and supported. Divestiture socialization tries to strip away certain characteristics of the recruit. Fraternity and sorority "pledges" go through divestiture socialization to shape them into the proper role.

Source: Based on J. Van Maanen, "People Processing: Strategies of Organizational Socialization," *Organizational Dynamics*, Summer 1978, pp. 19–36; and E.H. Schein, "Organizational Culture," *American Psychologist*, February 1990, p. 116.

about the desired metamorphosis. Note, for example, that the more management relies on socialization programs that are formal, collective, fixed, serial, and emphasize divestiture, the greater the likelihood that newcomers' differences and perspectives will be stripped away and replaced by standardized and predictable behaviors. Careful selection by management of newcomers' socialization experiences can—at the extreme—create conformists who maintain traditions and customs, or inventive and creative individualists who consider no organizational practice sacred.

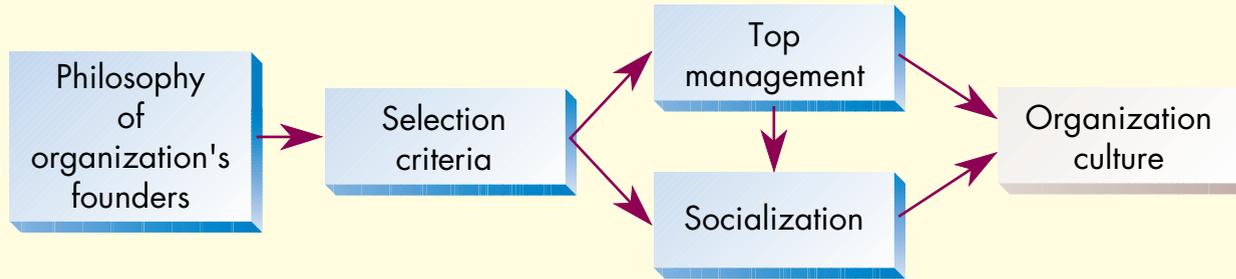
We can say that metamorphosis and the entry socialization process is complete when the new member has become comfortable with the organization and his job. He has internalized the norms of the organization and his work group, and understands and accepts these norms. The new member feels accepted by his peers as a trusted

and valued individual, is self-confident that he has the competence to complete the job successfully, and understands the system — not only his own tasks, but the rules, procedures, and informally accepted practices as well. Finally, he knows how he will be evaluated, that is, what criteria will be used to measure and appraise his work. He knows what is expected, and what constitutes a job “well done.” As Exhibit 16-2 shows, successful metamorphosis should have a positive impact on the new employee’s productivity and his commitment to the organization, and reduce his propensity to leave the organization.

### Summary: How Cultures Form

Exhibit 16-4 summarizes how an organization’s culture is established and sustained. The original culture is derived from the founder’s philosophy. This, in turn, strongly influences the criteria used in hiring. The actions of the current top management set the general climate of what is acceptable behavior and what is not. How employees are to be socialized will depend both on the degree of success achieved in matching new employees’ values to those of the organization’s in the selection process and on top management’s preference for socialization methods.

## Exhibit 16-4 How Organization Cultures Form



## How Employees Learn Culture

Culture is transmitted to employees in a number of forms, the most potent being stories, rituals, material symbols, and language.

### Stories

During the days when Henry Ford II was chairman of the Ford Motor Co., one would have been hard pressed to find a manager who hadn't heard the story about Mr. Ford reminding his executives, when they got too arrogant, that "it's my name that's on the building." The message was clear: Henry Ford II ran the company!

Nordstrom employees are fond of the following story. It strongly conveys the company's policy toward customer returns: When this specialty retail chain was in its infancy, a customer came in and wanted to return a set of automobile tires. The sales clerk was a bit uncertain how to handle the problem. As the customer and sales clerk spoke, Mr. Nordstrom walked by and overheard the conversation. He immediately interceded, asking the customer how much he had paid for the tires. Mr. Nordstrom then instructed the clerk to take the tires back and provide a full cash refund. After the customer had received his refund and left, the perplexed clerk looked at the boss. "But, Mr. Nordstrom, we don't sell tires!" "I know," replied the boss, "but we do whatever we need to do to make the customer happy. I mean it when I say we have a no-questions-asked return policy." Nordstrom then picked up the telephone and called a friend in the auto parts business to see how much he could get for the tires.

Stories such as these circulate through many organizations. They typically contain a narrative of events about the organization's founders, rule breaking, rags-to-riches successes, reductions in the work force, relocation of employees, reactions to past mistakes, and organizational coping.<sup>41</sup> These stories anchor the present in the past and provide explanations and legitimacy for current practices.<sup>42</sup>

## Rituals

**Rituals** are repetitive sequences of activities that express and reinforce the key values of the organization, what goals are most important, which people are important and which are expendable.<sup>43</sup>

College faculty members undergo a lengthy ritual in their quest for permanent employment—tenure. Typically, the faculty member is on probation for six years. At the end of that period, the member's colleagues must make one of two choices: extend a tenured appointment or issue a one-year terminal contract. What does it take to obtain tenure? It usually requires satisfactory teaching performance, service to the department and university, and scholarly activity. But, of course, what satisfies the requirements for tenure in one department at one university may be appraised as inadequate in another. The key is that the tenure decision, in essence, asks those who are tenured to assess whether the candidate has demonstrated, based on six years of performance, whether he or she fits in. Colleagues who have been socialized properly will have proved themselves worthy of being granted tenure. Every year, hundreds of faculty members at colleges and universities are denied tenure. In some cases, this action is a result of poor performance across the board. More often, however, the decision can be traced to the faculty member's not doing well in those areas that the tenured faculty believe are important. The instructor who spends dozens of hours each week preparing for class and achieves out-

### rituals

Repetitive sequences of activities that express and reinforce the key values of the organization, what goals are most important, which people are important and which are expendable.



A ritual at Mary Kay Cosmetics is the annual sales meeting. Recognizing high achievement is an important part of the company's culture, which values hard work and determination. The ritual of praise and recognition honors the beauty consultants' accomplishments in meeting their sales quotas, which contribute to the success of the company.

standing evaluations by students but neglects his or her research and publication activities may be passed over for tenure. What has happened, simply, is that the instructor has failed to adapt to the norms set by the department. The astute faculty member will assess early on in the probationary period what attitudes and behaviors his or her colleagues want and will then proceed to give them what they want. And, of course, by demanding certain attitudes and

behaviors, the tenured faculty have made significant strides toward standardizing tenure candidates.

One of the best-known corporate rituals is Mary Kay Cosmetics' annual award meeting.<sup>44</sup> Looking like a cross between a circus and a Miss America pageant, the meeting takes place over a couple of days in a large auditorium, on a stage in front of a large, cheering audience, with all the participants dressed in glamorous evening clothes. Saleswomen are rewarded with an array of flashy gifts—gold and diamond pins, fur stoles, pink Cadillacs—based on success in achieving sales quota. This “show” acts as a motivator by publicly recognizing outstanding sales performance. In addition, the ritual aspect reinforces Mary Kay's personal determination and optimism, which enabled her to overcome personal hardships, found her own company, and achieve material success. It conveys to her salespeople that reaching their sales quota is important and that through hard work and encouragement they too can achieve success.

## Material Symbols

The headquarters of package manufacturers AGI doesn't look like your typical head office operation. As we noted in Chapter 14, there are few individual work areas. It is essentially made up of open, common areas and meeting rooms. This informal corporate headquarters conveys to employees that AGI values openness, equality, creativity, and flexibility.

Some corporations provide their top executives with chauffeur-driven limousines and, when they travel by air, unlimited use of the corporate jet. Others may not get to ride in limousines or private jets but they might still get a car and air transportation paid for by the company. Only the car is a Chevrolet (with no driver) and the jet seat is in the economy section of a commercial airliner.

The layout of corporate headquarters, the types of automobiles top executives are given, and the presence or absence of corporate aircraft are a few examples of material symbols. Others include the size of offices, the elegance of furnishings, executive perks, and dress attire.<sup>45</sup> These material symbols convey to employees who is important, the degree of egalitarianism desired by top management, and the kinds of behavior (for example, risk taking, conservative, authoritarian, participative, individualistic, social) that are appropriate.

## Language

Many organizations and units within organizations use language as a way to identify members of a culture or subculture. By learning this language, members attest to their acceptance of the culture and, in so doing, help to preserve it.

The following are examples of terminology used by employees at Dialog, a California-based data redistributor: *accession number* (a

number assigned to each individual record in a database); KWIC (a set of key-words-in-context); and *relational operator* (searching a database for names or key terms in some order). Librarians are a rich source of terminology foreign to people outside their profession. They sprinkle their conversations liberally with acronyms like ARL (Association for Research Libraries), OCLC (a center in Ohio that does cooperative cataloging), and OPAC (for on-line patron accessing catalog). When Louis Gerstner left RJR Nabisco to head up IBM, he had to learn a whole new vocabulary which included: *the Orchard* (IBM's Armonk, New York corporate headquarters, which was once an apple orchard); *big iron* (mainframe computers); *hypo* (a high-potential employee); *a one performer* (an employee with IBM's top performance rating); and *PROFS* (Professional Office Systems, IBM's internal electronic mail system).<sup>46</sup>

Organizations, over time, often develop unique terms to describe equipment, offices, key personnel, suppliers, customers, or products that relate to its business. New employees are frequently overwhelmed with acronyms and jargon that, after six months on the job, have become fully part of their language. Once assimilated, this terminology acts as a common denominator that unites members of a given culture or subculture.

# Summary and Implications for Managers

Exhibit 16-6 depicts organizational culture as an intervening variable. Employees form an overall subjective perception of the organization based on such factors as degree of risk tolerance, team emphasis, and support of people. This overall perception becomes, in effect, the organization's culture or personality. These favorable or unfavorable perceptions then affect employee performance and satisfaction, with the impact being greater for stronger cultures.

## Exhibit 16-6

### How Organizational Culture Impacts Performance and Satisfaction

#### Objective factors

- Innovation and risk taking
- Attention to detail
- Outcome orientation
- People orientation
- Team orientation
- Aggressiveness
- Stability

Perceived as

Organizational culture

Strength

Hi

Lo

Performance

Satisfaction

Just as people's personalities tend to be stable over time, so too do strong cultures. This makes strong cultures difficult for managers to change. When a culture becomes mismatched to its environment, management will want to change it. But as the Point-Counterpoint debate for this chapter demonstrates, changing an organization's culture is a long and difficult process. The result, at least in the short term, is that managers should treat their organization's culture as relatively fixed.

One of the more important managerial implications of organizational culture relates to selection decisions. Hiring individuals whose values don't align with those of the organization are likely to lead to employees who lack motivation and commitment and who are dissatisfied with their jobs and the organization.<sup>47</sup> Not surprisingly, employee "misfits" have considerably higher turnover rates than individuals who perceive a good fit.<sup>48</sup>

We should also not overlook the influence socialization has on employee performance. An employee's performance depends to a considerable degree on knowing what he should or should not do. Understanding the right way to do a job indicates proper socialization. Furthermore, the appraisal of an individual's performance includes how well the person fits into the organization. Can he or she get along with co-workers? Does he or she have acceptable work habits and demonstrate the right attitude? These qualities differ between jobs and organizations. For instance, on some jobs, employees will be evaluated

more favorably if they are aggressive and outwardly indicate that they are ambitious. On another job, or on the same job in another organization, such an approach may be evaluated negatively. As a result, proper socialization becomes a significant factor in influencing both actual job performance and how it's perceived by others.

## For Review

1. What is the relationship between institutionalization, formalization, and organizational culture?
2. What's the difference between job satisfaction and organizational culture?
3. Can an employee survive in an organization if he or she rejects its core values? Explain.
4. How can an outsider assess an organization's culture?
5. What defines an organization's subcultures?
6. Contrast organizational culture with national culture.
7. How can culture be a liability to an organization?
8. How does a strong culture affect an organization's efforts to improve diversity?
9. What benefits can socialization provide for the organization? For the new employee?
10. How is language related to organizational culture?

## For Discussion

1. Contrast individual personality and organizational culture. How are they similar? How are they different?
2. Is socialization brainwashing? Explain.
3. If management sought a culture characterized as innovative and autonomous, what might its socialization program look like?
4. Can you identify a set of characteristics that describes your college's culture? Compare them with several of your peers. How closely do they agree?
5. "We should be opposed to the manipulation of individuals for organizational purposes, but a degree of social uniformity enables organizations to work better." Do you agree or disagree with this statement? Discuss.



## The Case against Cultural Change

That an organization's culture is made up of relatively stable characteristics would imply that culture is very difficult for management to change. Such a conclusion would be correct.

An organization's culture develops over many years and is rooted in deeply held values to which employees are strongly committed. In addition, there are several forces continually operating to maintain a given culture. These would include written statements about the organization's mission and philosophy, the design of physical spaces and buildings, the dominant leadership style, hiring criteria, past promotion practices, entrenched rituals, popular stories about key people and events, the organization's historic performance evaluation criteria, and the organization's formal structure.

Selection and promotion policies are particularly important devices that work against cultural change. Employees chose the organization because they perceived their values to be a "good fit" with the organization.

They become comfortable with that fit and will strongly resist efforts to disturb the equilibrium. The terrific difficulties that organizations like General Motors, AT&T, and the U.S. Postal Service have had in trying to reshape their cultures attest to this dilemma. These organizations historically tended to attract individuals who desired and flourished in situations that were stable and highly structured. Those in control in organizations will also select senior managers who will continue the current culture. Even attempts to change a culture by going outside the organization to hire a new chief executive are unlikely to be effective. The evidence indicates that the culture is more likely to change the executive than the other way around. Why? It's too entrenched, and change becomes a potential threat to member self-interest. In fact, a more pragmatic view of the relationship between an organization's culture and its chief executive would be to note that the practice of filling senior-level management positions from current managerial employees ensures that those who run the organization have been fully indoctrinated in the organization's culture.

Promoting from within provides stability and lessens uncertainty. When Exxon's board of directors selects as a new chief executive officer an individual who has spent 30 years in the company, it virtually guarantees that the culture will continue unchanged.

Our argument, however, should not be viewed as saying that culture can never be changed. In the unusual case when an organization confronts a survival-threatening crisis—a crisis that is universally acknowl-

edged as a true life-or-death situation—members of the organization will be responsive to efforts at cultural change. For instance, it was only when General Motors' and AT&T's executives were able to successfully convey to employees the crises faced from competitors that these organizations' cultures began to show signs of adaptation. However, anything less than a crisis is unlikely to be effective in bringing about cultural change.

## How to Change an Organization's Culture

Changing an organization's culture is extremely difficult, but cultures *can* be changed. For example, Lee Iacocca came to Chrysler Corp. in 1978, when the company appeared to be only weeks away from bankruptcy. It took him about five years but, in what is now a well-worn story, he took Chrysler's conservative, inward-looking, and engineering-oriented culture and changed it into an action-oriented, market-responsive culture.

The evidence suggests that cultural change is most likely to take place when most or all of the following conditions exist:

*A dramatic crisis.* This is the shock that undermines the status quo and calls into question the relevance of the current culture. Examples of these crises might be a surprising financial setback, the loss of a major customer, or a dramatic technological breakthrough by a competitor. Executives at Pepsi-Cola and Ameritech even admit to creating crises in order to stimulate cultural change in their organizations.\*

*Turnover in leadership.* New top leadership, which can provide an alternative set of key values, may be perceived as more capable of responding to the crisis. This would definitely be the organization's chief executive but also might need to include all senior management positions. The hiring of outside CEOs at IBM (Louis Gerstner) and General Motors (Jack Smith) illustrate attempts to introduce new leadership.

*Young and small organization.* The younger the organization is, the less entrenched its culture will be. Similarly, it's easier for management to communicate its new values when the organization is small. This again helps explain the difficulty that multibillion-dollar corporations have in changing their cultures.

*Weak culture.* The more widely held a culture is and the higher the agreement among members on its values, the more difficult it will be to change. Conversely, weak cultures are more amenable to change than strong ones.

If conditions support cultural change, you should consider the following suggestions:



1. Have top-management people become positive role models, setting the tone through their behavior.
2. Create new stories, symbols, and rituals to replace those currently in vogue.
3. Select, promote, and support employees who espouse the new values that are sought.
4. Redesign socialization processes to align with the new values.
5. Change the reward system to encourage acceptance of a new set of values.
6. Replace unwritten norms with formal rules and regulations that are tightly enforced.
7. Shake up current subcultures through transfers, job rotation, and/or terminations.

8. Work to get peer group consensus through utilization of employee participation and creation of a climate with a high level of trust.

Implementing most or all of these suggestions will not result in an immediate or dramatic shift in the organization's culture. For, in the final analysis, cultural change is a lengthy process—measured in years rather than months. But if the question is, “Can culture be changed?” the answer is “Yes!”

\*B. Dumaine, “Times Are Good? Create a Crisis,” *Fortune*, June 28, 1993, pp. 123–30.

## Learning about Yourself Exercise

### What Kind of Organizational Culture Fits You Best?

For each of the following statements, circle the level of agreement or disagreement that you personally feel:

SA = Strongly Agree

A = Agree

U = Uncertain

D = Disagree

SD = Strongly disagree

1. I like being part of a team and having my performance assessed in terms of my contribution to the team. SA A U D SD
2. No person's needs should be compromised in order for a department to achieve its goals. SA A U D SD
3. I like the thrill and excitement from taking risks. SA A U D SD
4. If a person's job performance is inadequate, it's irrelevant how much effort he or she made. SA A U D SD
5. I like things to be stable and predictable. SA A U D SD

6. I prefer managers who provide detailed and rational explanations for their decisions. SA A U D SD
7. I like to work where there isn't a great deal of pressure and where people are essentially easygoing. SA A U D SD

Turn to page A-30 for scoring direction and key.

## Working with Others Exercise

### Rate Your Classroom Culture

Listed here are ten statements. Score each statement by indicating the degree to which you agree with it. If you strongly agree, give it a five. If you strongly disagree, give it a one.

1. My classmates are friendly and supportive. \_\_\_\_\_
2. My instructor is friendly and supportive. \_\_\_\_\_
3. My instructor encourages me to question and challenge him or her as well as other students. \_\_\_\_\_
4. My instructor clearly expresses his or her expectations to the class. \_\_\_\_\_
5. I think the grading system used by my instructor is based on clear standards of performance. \_\_\_\_\_

6. My instructor's behavior during examinations demonstrates his or her belief that students are honest and trustworthy. \_\_\_\_\_
7. My instructor provides regular and rapid feedback on my performance. \_\_\_\_\_
8. My instructor uses a strict bell curve to allocate grades. \_\_\_\_\_
9. My instructor is open to suggestions on how the course might be improved. \_\_\_\_\_
10. My instructor makes me want to learn. \_\_\_\_\_

Turn to page 1485 for scoring directions and key.

## Ethical Dilemma Exercise

### Cultural Factors and Unethical Behavior

An organization's culture socializes people. It subtly conveys to members that certain actions are acceptable, even though they are illegal. For instance, when executives at General Electric, Westinghouse, and other manufacturers of heavy electrical equipment illegally conspired to set prices in the early 1960s, the defendants invariably testified that they came new to their jobs, found price fixing to be an established way of life, and simply entered into it as they did into other aspects of their job. One GE manager noted that

every one of his bosses had directed him to meet with the competition: “It had become so common and gone on for so many years that I think we lost sight of the fact that it was illegal.”\*

The strength of an organization’s culture has an influence on the ethical behavior of its managers. A strong culture will exert more influence on managers than a weak one. If the culture is strong and supports high ethical standards, it should have a very powerful positive influence on a manager’s ethical behavior. However, in a weak culture, managers are more likely to rely on subculture norms to guide their behavior. So work groups and departmental standards will more strongly influence ethical behavior in organizations that have weak overall cultures.

It is also generally acknowledged that the content of a culture affects ethical behavior. Assuming this is true, what would a culture look like that would shape high ethical standards? What could top management do to strengthen that culture? Do you think it’s possible for a manager with high ethical standards to uphold those standards in an organizational culture that tolerates, or even encourages, unethical practices?

\*As described in P.C. Yeager, “Analyzing Corporate Offenses: Progress and Prospects,” in W.C. Frederick and L.E. Preston (eds.), *Business Ethics: Research Issues and Empirical Studies* (Greenwich, CT:JAI Press, 1990), p. 174.

## Cultural Change Efforts at the U.S. Postal Service

When Marvin Runyon was appointed Postmaster General in 1992, he promised to transform the U.S. Postal Service's culture. He said all the right things: streamlining management, moving away from authority-based leadership, empowering employees, holding postal managers and workers more accountable for their performance, and introducing cross-functional work teams to encourage formerly disparate operations to work more closely together. Runyon noted the need for change to overcome the public's perception that the Postal Service was inefficient. And he drove home the threat of competition from United Parcel Service, Federal Express, and electronic mail.

Good intentions aside, Runyon has essentially had no impact on changing the Postal Service culture. "Absolutely nothing has changed," says the national president of one labor union that represents about 240,000 active letter carriers. "Employee empowerment seemed like a good idea for about 60 days, until management figured out that it meant actually giving up some of their power and letting workers have a say."

The Postal Service has long had labor problems with its work force of more than 700,000 career employees. Workers routinely file grievances over such things as denied requests for time off or unrequested overtime assignments. While union-management relations have been strained for decades, they seem to have reached new lows in recent years. Grievances are at all time highs. For

instance, in 1995, 73,300 grievances could not be resolved at the workplace level. By contrast, the United Auto Workers, which represents about 800,000 employees, had only a thousand grievances that failed to get resolved at the plant level.

An example of the severe actions management is taking against workers, according to labor union officials, was a letter carrier with a spotless ten-year record who was fired for refusing to work overtime on a day when he had to pick up his child at school. Management at the Postal Service claims it is just getting tough with employees who abuse the system. It admits that efforts to revamp the service's authoritarian culture have not been as successful as it had hoped but that the number of grievances filed by workers should not be used as evidence that efforts to change the Postal Service have failed. Union leaders see things differently. They believe management is entrenched in its command-and-control style, wants to remind employees who's boss, and seeks to lessen the power of the unions.

Three notable sets of events seem to be at the heart of current labor-management tensions at the Postal Service. First is automation. The average salary for bargaining-unit employees was \$45,000 in 1995. Over time, the service wants to cut labor costs through the use of letter-sorting equipment and bar code readers. Disruption of current jobs and anxiety about future jobs worry the unions. For instance, automation at the San Francisco Mail Processing and Distribution Center forced 600 of 2,400 unionized workers to

change shifts or jobs. In some cases, workers had to move to jobs at lower pay levels. The second set of events revolve around contract negotiations. The 1994 round of negotiations with the Postal Service's four unions may have set an all-time record for intransigence. Only one of the four unions reached an agreement with the service without going to arbitration. In one set of negotiations, the letter carriers' union had requested a moderate pay and benefits increase, arguing that its members performed jobs comparable to UPS and Federal Express delivery personnel and therefore deserved comparable pay hikes. Management countered with a demand for a pay cutback, arguing that the job performed by letter carriers was comparable to that of "uniformed delivery personnel such as pizza deliverers," a phrase that infuriated the union and its membership. An arbitrator eventually awarded carriers a 1.2 percent salary increase with a \$950 lump-sum increase the first year. Finally, there are problems related to downsizing. Soon after becoming Postmaster General, Runyon offered managers an attractive early retirement package. He hoped to cut some 30,000 managers from what critics had long characterized as a bloated organization structure. But craft workers, the people who actually move the 180 billion pieces of mail each year, fought to be included in the retirement package. The end result was that 48,000 workers retired, many of them experienced craft workers and front-line supervisors, and overtime hours nearly doubled as remaining workers were forced to take up the slack.

## Questions

1. Describe the Postal Service's current culture.
2. How might cultural change efforts be different in public-sector organizations than in for-profit business firms?
3. What suggestions would you have for top management that could help it enlist the unions in their cultural change efforts?
4. Discuss the specific suggestions you would make to top management that could help it succeed in changing the Postal Service's culture into the one originally described by Runyon.

Source: Based on D. Stamps, "Going Nowhere: Cultural Change at the Postal Service Fizzles," *Training*, July 1996, pp. 26–34.

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## When Good Cops Go Bad

Michael Dowd is a corrupt cop. This case is about Dowd and the culture within the New York Police Department that allowed him to abuse his authority position for six years.

Michael Dowd tells his story: "When you're a cop, you're the boss in the street. Who in their right mind, if they're doing something wrong, is going to say to a cop, 'You can't do this, you can't do that?' Nobody. You feel indestructible. I figured, 'If they haven't caught me by now, forget it.' I could do anything. I could do anything."

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Quit

Chapter Start

Contents

Video

Chapter End

Web Site



1322



Dowd worked a tough neighborhood where drug deals were regularly going down. “You see money in wads in their pockets, you know, hundreds, thousands of dollars at a time, you know, and I’m taking home \$340 a week at a time, so, you know, you notice those things.”

But Dowd did more than notice. He joined the other side. He became a drug dealer himself. Starting slow—drinking on the job as a rookie, fixing traffic tickets—it escalated to the point where he was making as much as \$8,000 to \$10,000 a week through illegal activities. He stole money from corpses at crime scenes, robbed drug dealers, and dealt cocaine.

Didn’t anyone pick up on Dowd’s underworld activities? Yes, Joe Trimboli did. He was an investigator in the NYPD Internal Affairs (IA) Department. Trimboli suspected that as many as 15 to 20 cops were involved with Dowd and requested help in his investigation. He was turned down by his bosses. After continually pressing IA to pursue what Trimboli felt sure was a group of corrupt cops, IA shut down all of Trimboli’s investigations and removed him from the Dowd case. Why? The best answer seems to lie in the history of the NYPD. It had suffered a major corruption scandal in 1986. It didn’t want another scandal. The word from the mayor’s office was “keep corruption out of the headlines.”

Dowd and others like him were able to engage in corrupt practices for years largely because of the underwritten code of

silence. When asked why other police officers in his command, who knew what he was doing, didn't turn him in, Dowd said, "Because I'm still a cop. Cops don't turn on other cops. Cops don't want to be labeled as rats. Cops depend on one another to survive out there."

## Questions

1. How can an organization's culture condone or discourage illegal activities?
2. What, in the NYPD's culture, do you think supported bad cops?
3. If you were the new police chief in New York, what could you do to change the culture to make it less tolerant of unlawful activities?

Source: Based on "The Tarnished Shield," *ABC News Turning Point*; aired on September 14, 1994.

“The structures of AT&T and Aslett were as different as night and day,” Rob Panco said. “AT&T was pure hierarchy. Everyone was very cognizant of your rank in the organization. It wasn’t unusual for someone to say to me, for instance, ‘You’re only second level. Be careful about challenging fourth levels in a meeting.’ Rank was everything. In fact, I remember traveling with a higher level manager one time. When we picked up our rent-a-car at the airport, he said, ‘You’re the grunt. You drive.’ At AT&T, they never let you forget where you are in the pecking order. In contrast, Aslett was very informal. We were a flat organization. People could come to me and not get their heads cut off. I didn’t pay much attention to rank. Then again, I’m was in charge. If I had been Bob Allen [CEO of AT&T], I might have thought that AT&T was a lot less hierarchical. My perspective was from down below.”

Most people are familiar with how large companies like AT&T go about the selection process. These companies historically hired young people for entry-level positions and let them grow up through the ranks. College grades and aptitude test scores were given a

great deal of weight in the selection decision. During the past decade, AT&T has undergone major changes as a result of deregulation. Tens of thousands of people have been laid off. In contrast to past practices, new hires have often come from the outside to fill middle- and upper-level managerial slots because the necessary skills and perspectives weren’t available inside AT&T. For instance, in 1990, the company hired Richard Bodman, president of Washington National Insurance, to become AT&T’s senior vice president in charge of corporate strategy and development. In 1991, Alex Mandl, former chairman of Sea-Land Service, joined AT&T as its chief financial officer; and Jerre Stead, chairman of Square D Co., was brought in as president of AT&T’s Business Communications Systems unit. More recently, AT&T chose John R. Walter, a printing executive at R.R. Donnelley & Sons with no expertise in telecommunications, to become corporate president and chief operating officer in 1996.

Aslett’s small size and project form of structure allowed Rob Panco to hire in a much more informal and direct way. About half of Aslett’s new hires came

from current employee referrals. Once hired, the referral typically becomes the new employee's sponsor. That is, the sponsor helps the new employee adjust to his or her job. Most other new hires came from the pool of freelancers that the company used. When an opening came up, the best freelancers were usually looked at first as possible full-time employees. By hiring from this pool, Rob says he already had first-hand evidence of their performance capability so he didn't have to do much screening. Their prior work became the test. But among referrals, Rob relied on work samples. For instance, candidates for jobs as designers and electronic page makers had to take a half-hour test where they could demonstrate their skills. Rob noted that all new hires from the freelancers pool also had sponsors. They were usually the team leader from the freelancer's previous project. All new employees were told explicitly what was expected of them. They were then on probation for six months. At the end of six months, they were reviewed. Performance reviews after that were on their service anniversary.

When business slowed in 1995, hiring was curtailed. When natural attrition wasn't enough to get the payroll down, Rob's challenge became deciding whom to let go. "Actually the hiring and layoff decisions were very similar. For instance, should I let the

newest employees go first? Would I keep a high performing part-timer over a poorer performing full-timer? I chose to use two factors in guiding my decision—what skills were most critical and who were the most competent.

When asked if Aslett's culture changed when the growth stopped, Rob replied, "Yeah, I think so. The operating people took more ownership. They were more focused. They pulled together and took more initiative. During growth, we suppressed ownership. There was pseudo-empowerment, but I wasn't really letting go. Maybe if we had let employees participate sooner, business might have been better."

The way that AT&T and Aslett conducted performance evaluations also provides a good illustration of the differences between the two organizations. According to Rob, "evaluations are a game at AT&T. They have great tools but they don't teach managers how to use them." The evaluation procedure is fairly standardized: Individuals are rated by their boss and ranked from 1 to n in their group. A modified bell curve is used. Ten percent are allocated to the highest category (outstanding performers), with five percent having to be labeled as low performers and placed on probation. Of course, there is considerable politicking and negotiating over rankings. Time in rank, for instance, carries a lot of weight."

“I’m a wimp. I don’t like rating people,” confides Rob. “I used a metric system of ratings because its better than subjective appraisals, but I don’t like ranking people.” Rob then described the standardized form he used, which breaks employee performance down into four categories: personal (individual) performance; teammanship; contribution to quality; and personal development. “The first three were about equal—they were worth about 30 percent each. Personal development was a tiebreaker.” Within each category, Rob made a list and rated people on (1) accomplishments made during the period and (2) areas for improvement. “I’ll admit that I might have handled the process wrong. I didn’t ask employees for their input until the end of the review session. I should have begun by asking people for a self-appraisal.”

Aslett’s small size created very different problems for Rob than for managers at AT&T. “At a company the size of AT&T, no one person makes that much of a difference,” Rob stated. “But in a small company like Aslett, each person is critical. If someone doesn’t come to work, it can really effect the whole organization. This makes each person at Aslett close to the heart. My people needed to buy into the organization more than is necessary at an AT&T.”

## Questions

1. Is it a law of structural design that large size (like AT&T) must result in a hierarchical-driven organization? Discuss.
2. Assess the pros and cons of filling job vacancies with referrals made by current employees.
3. Contrast the ways that structure constrains low-level employees at AT&T with operating personnel at Aslett.
4. Evaluate the effectiveness of the performance appraisal system Rob put in place at Aslett. Did it help or hinder employee motivation? Discuss.
5. How can “sponsors” influence the attitudes and behavior of new hires?
6. Some researchers note a “layoff-survivor syndrome” following downsizing: Those people who remain complain of fatigue and exhibit increased levels of anxiety and stress. Why didn’t this happen at Aslett?